

**Competition Reforms in Key Markets for Enhancing Social
and Economic Welfare in Developing Countries
(CREW project)**

PROJECT IN BRIEF

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1. Introduction

1.1 Consumer Unity & Trust Society (CUTS) has over a decade been involved in undertaking research based advocacy and capacity building projects on competition policy and law issues across developing countries of Africa and Asia. From the experience of undertaking these projects and independent assessments thereof, it has emerged that these projects have been helpful in enhancing the awareness and understanding on the subject for stakeholders (contributing to the growing knowledge on the subject across developing countries).

1.2 However, the process of competition enforcement is still fairly weak across most developing countries, and needs to be strengthened to ensure that competition reforms lead to measurable and demonstrable welfare gains. Developing and least developed countries are faced with resource constraints, and policymakers need to make difficult choices/decisions while allocating scarce resources between various functions. For resources to be made available to implement competition reforms in developing countries, it is necessary that the impacts of competitive markets on consumers and producers are properly demonstrated to policymakers (and development partners as well). However, there is lack of a comprehensive approach for measuring such impacts. CUTS endeavours to undertake a project for developing such a methodology and test its robustness in select countries of Africa and Asia.

1.3 This project (**“Competition Reforms in Key Markets for Enhancing Social and Economic Benefits in Developing Countries”**, referred in short as the **CREW Project**) proposed by CUTS, to be implemented over a period of **three years in four countries** aims to develop an approach (with a suggested combination of- indicators, metrics and tools), which would help in assessing impacts of competition reforms on consumers and producers in **two selected markets**. One of the main goals of this project is to demonstrate the benefits of competition reforms so that greater attention and support can be provided to this issue.

1.4 The initiative would be implemented by CUTS under the guidance of an international advisory committee comprising eminent international experts/practitioners. CUTS would engage with international organisations and review existing literature/approaches on

quantitative/analytical components of the project. Country-level activities would be undertaken by various local organisations in each country (including government agencies, business chambers, CSOs and media organisations). Apart from building their capacity on competition research and advocacy, such an approach would also ensure that the national actors are able to carry the momentum forward through country-specific spin-offs after the conclusion of this project.

1.5 There is consensus among researchers and practitioners now, that competition reforms leads to achievement of consumer welfare by making a variety of quality goods and services easily available to consumers at low costs. Competition reforms is also pro-industry, as it promotes competition in markets by establishing a predictable and level-playing field thereby enabling firms to compete on merit, and makes it possible for firms to enter and exit these markets without much difficulty. Some studies have been undertaken to demonstrate such positive impacts of competition reforms. However, such evidence is largely available in developed countries, which often makes it difficult to push the agenda of competition policy and law a 'luxury' in developing countries.

2. Project Approach

2.1 CUTS has used the *Theory of Change (ToC)*¹ to elucidate the link between component of an ideal competition reforms process with its ultimate goal of achieving social welfare and economic prosperity. *It starts with generating greater awareness among stakeholders, leading to the emergence of competitive markets which is conducive for producers and eventually culminates in greater access and lower prices of goods and services.* This ToC framework provides the overarching approach for planning, designing and monitoring the progress of competition reforms in a country and its anticipated outcomes/impacts. The movement of this process (from the *Foundation Stage* to the *Results Stage* as presented in *Fig 1*, below) is guided by the overall course presented in this ToC framework.

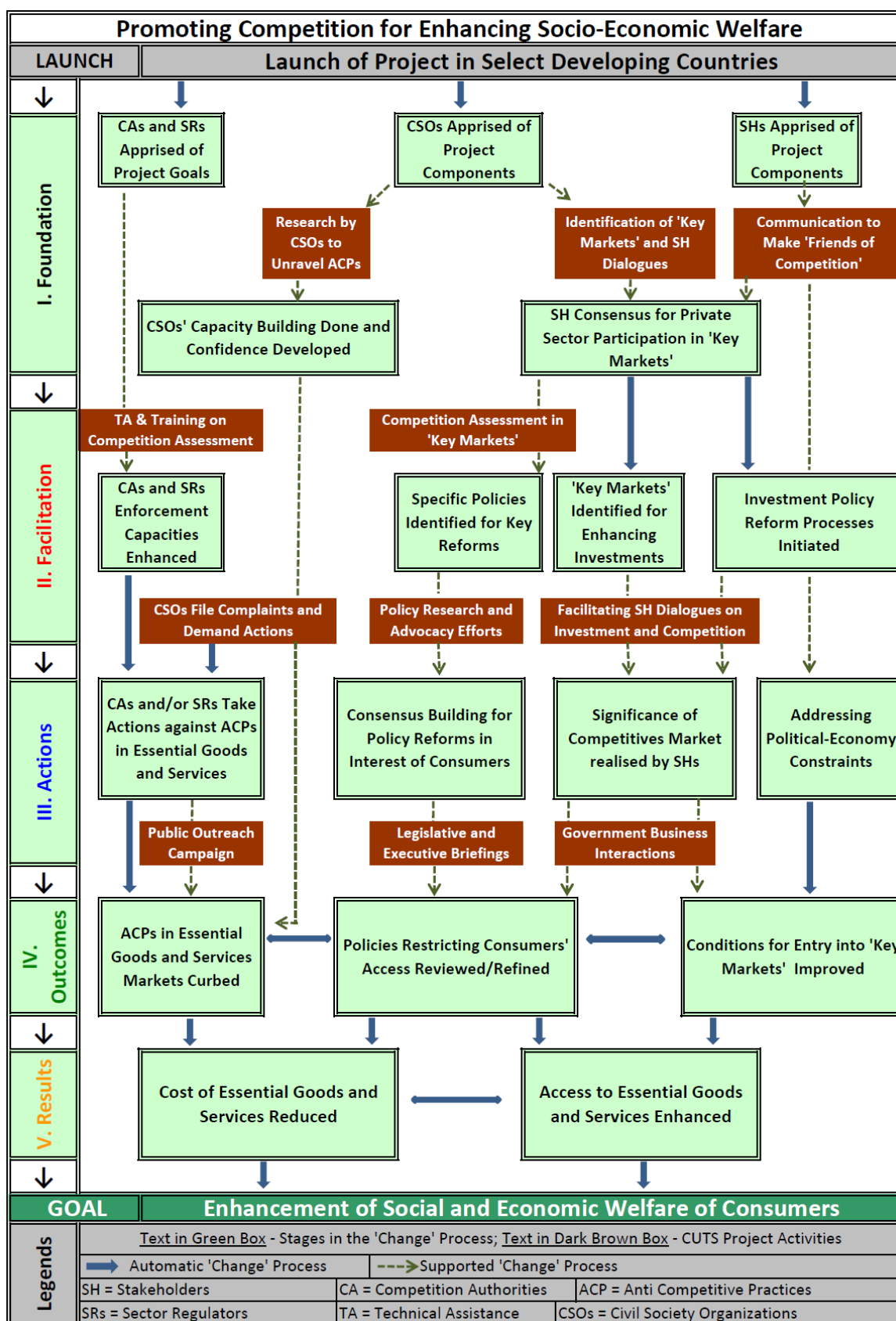
¹**Theory of Change (ToC):**Theory of Change is a rigorous yet participatory process whereby groups and project stakeholders identify the conditions they believe have to unfold for their long-term goals to be met. These conditions are modelled as outcomes, arranged graphically in a causal framework (source: www.theoryofchange.org).

2.2 Developing country consumers are often victims of exploitative behaviour by business entities, which affect their ability to access goods and services in key markets, thereby adversely impacting their lives and livelihoods. Such (anti-competitive) business behaviour is either inherent in the way these entities conduct themselves in these markets, or are stimulated by policies, rules or actors. Absence of an independent and effective market regulator and stakeholders' ignorance further encourages these practices. Such business practices not only affect consumers, but other businesses also. In certain markets, dominant firms exert exclusionary pressures over suppliers and can tie them unfavourably to garner greater profits. Further, in some other markets, rival businesses agree not to compete and collude, and often prevent others (new entrants) by erecting artificial barriers to entry. So, it is in the interest of both consumers and producers that a competition law exists and is effectively implemented.

2.3 The following Theory of Change demonstrates how competition leads to achieving specific outcomes and impacts for both consumers and producers.

- *A well-designed competition law and an effective competition enforcement authority are prime requirements for curbing anti-competitive business practices in an economy.*
- *This is supported by an enabling business environment, which helps promote fairness and predictability in the market and stimulates greater private sector participation*
- *Awareness and improved understanding among relevant actors/groups about (consumer and producer) benefits from an effective competition regime (law and agency) leads to greater public support and demand for competition reforms.*
- *A level-playing field combined with the presence of a vigilant competition regulator stimulates private sector development and promotes healthy inter-firm rivalry. Firms innovate and adopt measures to out-compete rivals to gain customers.*
- *New and better quality products are easily available at lower costs. Firms have a ready supply of inputs and services to meet production targets. Consumers have easy access to essential goods and services. Lasting positive impacts are felt by consumers and on the businesses sector.*

2.4 The above ToC is explained by the figure below (Fig 1):



3. Project Details

Goal

To better demonstrate measurable benefits from an effective competition policy and law regime in developing countries, for ensuring long-term support for competition reforms.

Objectives

- To enhance international understanding of the benefits from, and best practices in, effectively implementing competition regimes in developing countries
- To develop and test a methodology (with indicators) for assessing the efficacy of competition regimes in achieving impacts on developing country consumers and producers
- To advocate to national stakeholders and international development partners for according greater importance to competition policy and law issues, in the national development agenda
- To sustain the momentum on fast-tracking competition reforms, gained from stakeholder awareness, understanding about the benefits and participation in related process in developing countries

Outputs

- Documented evidence of social and economic benefits from competitive markets
- Dialogues and discussions with and among multiple stakeholders on benefits from competitive markets
- Strategy for capacity building of competition agencies and/or sectoral regulators in DCs on competition enforcement
- Development of a framework that guides the process of competition reforms in key markets and help measure the impacts thereof
- Generate demand from other (non-project) countries and markets for incorporating the lessons learnt

Outcome

Greater attention and impetus for competition reforms in key markets of developing countries, resulting in benefits for consumers and producers

4. Project Implementation

4.1 This initiative would be undertaken in a phased manner. CUTS would implement the project by engaging two renowned external scholars/practitioners as part of the project implementation team. An organisation specialising in economic/legal analysis would also be part of this team. Country-specific activities would be undertaken in cooperation with country partner organisations and individuals, in order to enhance ownership of the findings and stimulate follow-up actions.

4.2 The first phase would be dedicated to reviewing existing literature and identifying key indicators that can help assess the impact of competition reforms on consumers and producers. Certain enabling factors would also be identified in this phase. In the second phase, CUTS in cooperation with experienced international organisation(s) would develop frameworks for competition promotion (an approach to promote competition in select developing country markets and assess their impacts on consumers and producers). Finally, in the third phase, this approach would be validated by applying it in micro-locations in the selected developing countries, for fine tuning and finalisation.

4.3 Though, this project would be undertaken in four countries and in two markets, efforts would be made by CUTS to expand its application to other markets and other developing countries as well.

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